

## Message Text

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16

ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 CIEP-01 SP-02 STR-04 TRSE-00

LAB-04 SIL-01 SAM-01 OMB-01 DODE-00 PA-01 USIA-06

PRS-01 SS-15 NSC-05 SAJ-01 /079 W

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R 150855Z JUL 75

FM AMEMBASSY LUXEMBOURG

TO SECSTATE WASHDC 4521

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN EZE

AMBASSY THE HAGUE 1023

AMEMBASSY LODON

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION EC BRUSSELS UNN

C O N F I D E N T I A L LUXEMBOURG 0543

E.O. 11652: GDS

TAGS: EFIN, EC

SUBJ: EC FINANCE MINISTER'S MEETING - REFORM OF THE  
INTERNATIONAL SYSTEM

REF: A) EC BRUSSELS 6332; B) EC BRUSSELS 6135

1. RAYMOND KIRSCH, DEPUTY TO MINISTER OF FINANCE VOUEL,  
CONFIRMED REFTEL A REPORT OF JULY 10 FINANCE COUNCIL  
MEETING TO ECON OFFICER, BUT SHOWED MORE OPTIMISM THAN  
COMMISSION OFFICIALS WITH REGARD TO A COMMON EC POSI-  
TION ON INTERNATIONAL MONETARY REFORM.

2. ACCORDING TO KIRSCH, MOST OF THE ITEMS OUTLINED IN  
REF B WITH THE EXCEPTION OF THE PREFERRED EXCHANGE  
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RATE SYSTEM, ARE CLOSE TO A SOLUTION. MOST MINISTERS

ACCEPTED THE FORMULA FOR THE SALE OF IMF GOLD OUTLINED PARA 3 REFTEL B AND TO THE RULES FOR THE SALE OF GOLD AMONG MONETARY AUTHORITIES. ON THE EXCHANGE RATE SYSTEM, THE MONETARY COMMITTEE WAS INSTRUCTED TO DEVELOP A COMPROMISE AT ITS AUGUST 11-12 MEETING IN ANTICIPATION OF A FINANCE COUNCIL MEETING LATER IN AUGUST. KIRSCH THINKS THE PROBLEM IS ONE OF RECONCILING THE SHORT TERM CONCERNs OF THE GERMANS WITH THE LONG RANGE AIMS OF THE FRENCH. HE SEES THE GERMANS AS PREOCCUPIED WITH THE POTENTIAL COST OF DESTABILIZING SPECULATIVE FLOWS SHOULD THE EXCHANGE SYSTEM MOVE TOO QUICKLY TO MORE FIXED PARITIES. THE FRENCH, ON THE OTHER HAND, REMAIN CONCERNED OVER THE FRANC'S LONG-TERM RELATION TO THE DOLLAR WHICH THEY BELIEVE TO BE UNDervalued AT PRESENT RATES. KIRSCH BELIEVES THAT THESE DIFFERENCES REFLECT DIFFERING VIEWPOINTS AS TO TIMING AND PRACTICAL MEASURES TO BE TAKEN RATHER THAN DIFFERENCES IN UNDERLYING MONETARY PHILOSOPHIES, AND THAT, IF THIS IS TRUE, THE MONETARY COMMITTEE MAY BE ABLE TO MAKE SOME PROGRESS IN RECONCILING THESE OPPOSING VIEWS.

3. KIRSCH ADDED THAT THE MINISTERS EXPRESSED SOME INTEREST IN ACHIEVING A UNIFIED EC POSITION ON INTER-NATIONAL MONETARY REFORM PRIOR TO THE SUMMIT MEETING OF INDUSTRIAL NATIONS PROPOSED BY THE FRENCH. HE ASKED TO BE KEPT INFORMED OF US INTENTIONS REGARDING THE FRENCH INITIATIVE.

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